ASSESS YOUR BORROWING CAPACITY.

Understanding what lenders look at, what else affects what you can afford, and real steps that may improve your position.

WHAT BORROWING CAPACITY ACTUALLY MEANS

Borrowing capacity is the maximum amount a lender may be willing to lend you, based on your income, expenses, existing debts, and the deposit you have available. It's not a fixed number — it can vary significantly from lender to lender, since each one applies its own assessment criteria.

WHAT LENDERS TYPICALLY LOOK AT

- **Income** — salary, wages, and in some cases bonuses, overtime, rental income, or self-employed earnings, though how much of each is counted can vary by lender.
- **Living expenses** — lenders estimate your regular expenses using a combination of your own declared figures and a benchmark minimum, whichever is higher.
- **Existing debts** — credit cards, personal loans, car loans, Buy Now Pay Later, and other mortgages all reduce how much you may be able to borrow, even if you don't use the full limit or always pay on time.
- **HECS/HELP debt** — a study loan is treated as a liability too, since the compulsory repayments reduce your take-home income once you're earning above the repayment threshold. That said, depending on how much you have left to pay off, some lenders may disregard it entirely or weight it less heavily — it varies significantly by lender, so it's worth checking rather than assuming it will count against you the same way everywhere.
- **Deposit & savings history** — the size of your deposit, and evidence of genuine savings over time, can affect both your borrowing capacity and the interest rate you're offered.
- **Credit history** — your repayment history, credit enquiries, and any defaults or missed payments may influence which lenders will consider your application.

Why it matters before you start looking: Knowing your borrowing capacity first can help you search within a realistic price range, rather than falling for a property and finding out afterward it's out of reach.

APPROVED TO BORROW ISN'T THE SAME AS WHAT YOU SHOULD SPEND

A lender may approve you for more than you'd actually be comfortable repaying month to month. The approved figure is based on their assessment criteria, not your day-to-day lifestyle or comfort level. It's worth working out your own realistic budget separately, factoring in the things a lender's formula doesn't always capture — how your income or family situation might change, and what repayment level you'd genuinely be comfortable with, not just what you technically qualify for.

THE BANK LENDS AGAINST THE PROPERTY TOO, NOT JUST YOU

Being approved for a certain amount doesn't automatically mean the lender will hand over that full amount for any property you choose. Lenders also conduct their own valuation of the specific property, and if it comes in lower than the purchase price you've agreed to, they'll typically only lend against the lower valuation figure — leaving you to cover the difference yourself or renegotiate. This is worth keeping in mind when deciding how close to your maximum approved amount you actually offer on a property.

BUDGET FOR MORE THAN JUST THE LOAN

Your borrowing capacity calculation is about the loan itself — but buying a home comes with additional costs on top that are easy to underestimate: stamp duty (unless you're eligible for a concession), conveyancing or solicitor fees, building and pest inspections, loan establishment fees, and moving costs. It's worth building a buffer into your budget for these rather than assuming your deposit and loan amount will cover everything down to the dollar. A good broker should walk you through the full picture of what a purchase actually costs beyond the loan itself, rather than leaving you to work it out after the fact — one of the practical advantages of going through a broker rather than approaching a single bank direct.

REAL STEPS THAT MAY IMPROVE YOUR POSITION

- **Close Buy Now Pay Later accounts** — Afterpay, Zip, and similar accounts are increasingly treated like a credit facility, even if you always pay them off. An open BNPL account, used or not, can reduce your borrowing capacity. Close accounts you're not actively using well before applying.
- **Reduce or close unused credit cards** — lenders generally assess you against your full credit card limit, not your balance. A $10,000 limit card you never use can still count against you as if it were fully drawn. Closing or reducing limits on cards you don't need can meaningfully improve your position.
- **Don't take out new loans or finance before applying** — a car loan, personal loan, or even a new BNPL account taken out in the months before applying adds to your liabilities right when you need your borrowing capacity at its strongest. If a big purchase can wait, it's often worth waiting.
- **Avoid multiple credit applications in a short period** — each application can leave an enquiry on your credit file, and several in quick succession may raise questions with a lender, even if you weren't approved or didn't proceed.
- **Keep every repayment on time** — even a single missed payment on a phone plan, credit card, or utility can show up and affect how a lender views you.
- **Build a visible savings pattern** — regular, consistent savings over several months (rather than one lump sum appearing right before you apply) is generally viewed more favourably.
- **Rein in discretionary spending before you apply** — lenders review recent bank statements, so a few months of leaner spending on things like takeaway, subscriptions, and gambling transactions can present a cleaner picture.
- **Talk to your broker before consolidating debts** — combining multiple small debts into a single lower repayment can improve your servicing position, but consolidating typically means a new credit application, which leaves its own mark on your credit file. Done at the wrong time, or without factoring in how it'll look to a lender, this can actually work against you and put the whole loan at risk of being declined. Have this conversation with your broker first, rather than consolidating on your own before applying.

TIMING MATTERS

These steps generally need a few months to take effect and show up cleanly on your bank statements and credit file — closing a credit card the week before you apply helps less than doing it three to six months out. The earlier you start, the more it can help.

NEXT STEPS

A broker can compare your position against multiple lenders' criteria at once, rather than you approaching each one individually, and can tell you specifically which of the above would make the most difference in your situation before you apply.

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